

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SAJ-01 FEA-02 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 USIA-15 SAM-01 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 DRC-01 /170 W

----- 050274

R 261617Z FEB 74

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 1484

INFO AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

AMEMBASSY REYKJAVIK

C O N F I D E N T I A L STOCKHOLM 795

E.O. 11652 GDS

TAGS: PINT, SW

SUBJ: POLITICAL CRISIS AVERTED BUT ELECTION POSSIBILITY GROWS

REF: STOCKHOLM 742

SUMMARY: PARTY LEADERS HAVE REACHED COMPROMISE AND
AVERTED RIKSDAG SHOWDOWN ON ECONOMIC STIMULATION PACKAGE,
BUT EFFECT OF ISSUE HAS BEEN TO PERSUADE MANY SWEDES THAT
A SPECIAL ELECTION, PRESUMABLY IN SEPTEMBER 1974, IS
NECESSARY TO RESOLVE COUNTRY'S UNSEEMLY POLITICAL DEAD-
LOCK. END SUMMARY.

1. SOCDEM AND MIDDLE PARTIES ACHIEVED LAST-MINUTE COM-
PROMISE ON ECONOMIC STIMULATION PACKAGE FEB. 25, AND
PALME GOVERNMENT APPEARS TO HAVE AVERTED POSSIBILITY OF
A TIE VOTE AND DETERMINATION OF BILL'S FATE BY LOTTERY.
FOR BACKGROUND SEE REFTEL. COMPROMISE WAS REACHED AT A
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3 PERCENT CUT OF VALUE ADDED TAX (THE MINIMUM MIDDLE PARTY

FIGURE) TO HAVE EFFECT FOR 5 1/2 MONTHS (BOURGEOIS HAD DEMANDED SEVEN). MODERATE AND COMMUNIST VPK WERE NOT INVOLVED IN NEGOTIATIONS WHICH BROUGHT ABOUT COMPROMISE.

2. THE UNEXPECTED NEAR-CONFRONTATION HAS HAD EFFECT OF CONVINCING MANY SWEDES THAT THERE WILL BE A SPECIAL ELECTION IN 1974--PROBABLY IN AUTUMN. VIRTUALLY ALL MEDIA ARE TAKING LINE THAT THE ECONOMIC STIMULATION CONTROVERSY DEMONSTRATES THAT A DEADLOCKED RIKSDAG HAS CREATED A POLITICAL SITUATION TOO UNSTABLE FOR SWEDISH TASTE AND THAT AN ELECTION IS NECESSARY TO CLEAR AIR. PRESUMABLY ACTING ON THAT CONVICTION, SOCIAL DEMOCRATIC PARTY LEADERSHIP SIGNALLED ITS COUNTRYWIDE ORGANIZATION LAST WEEKEND TO COMMENCE PREPARATIONS FOR ELECTION IN SEPTEMBER.

3. SWEDEN'S NEW CONSTITUTION, EXPECTED TO GET FINAL RIKSDAG PASSAGE FEB. 27 WITHOUT DIFFICULTY, WILL CHANGE SIZE OF RIKSDAG FROM 350 TO 349, THUS MAKING A DEADLOCK OUTCOME IN NEW ELECTION IMPOSSIBLE. MECHANICS OF SWEDISH ELECTION REQUIRE A PRACTICAL MINIMUM OF THREE MONTHS NOTICE, SO EARLY JUNE WOULD BE ABOUT EARLIEST DATE IF PALME GOVERNMENT DECIDED NOW TO FORCE AN ELECTION. SEPTEMBER IS THUS A MORE PROBABLE ELECTION TIME SINCE SWEDISH POLITICS GOES ON VACATION IN SUMMER.

COMMENT: ULTIMATE COMPROMISE ON ECONOMIC STIMULATION BILL CAME AFTER TEN DAYS OF BACKROOM BARGAINING BEHIND A FACADE OF FIRE AND THUNDER - AND BLUFFING - FOR BENEFIT OF PUBLIC. OUTCOME WAS ABOUT WHAT INFORMED OBSERVERS PREDICTED A MONTH AGO. NO PARTY OR INDIVIDUAL CAME OUT OF CONTROVERSY WITH ENHANCED PRESTIGE. BOURGEOIS PARTIES SHOWED THEMSELVES CAPABLE OF FORCING A CONFRONTATION AND THEREBY EMBARRASSING PALME GOVERNMENT. SOCDEMS SHOWED THEMSELVES ABLE TO HOLD UP THEIR END IN POLITICAL ALLEY-FIGHTING, WITNESS SUDDEN DEFECTION OF A LIBERAL PARTY RIKSDAGSMAN WITH SOCDEM FOREKNOWLEDGE.

5. WHAT IS STRIKING IS MOOD OF DISTASTE FOR THIS SORT
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OF POLITICS WHICH SURGED ABRUPTLY IN PRESS, PUBLIC AND GOOD MANY POLITICIANS. IT IS THIS MOOD WHICH GAVE RISE TO FEELING NEW ELECTIONS ARE "INEVITABLE" THIS YEAR. IN FACT, THEY ARE NOT. PALME GOVERNMENT CAN PROBABLY BEAT BACK AS MANY CHALLENGES AS MODERATE PARTY (WHICH IS THE BRAINS BEHIND BOURGEOIS-BLOC TACTICS) CAN THINK UP. BUT SOCDEMS MAY COME TO REGARD THESE AS PYRRHIC VICTORIES, PARTICULARLY IF THEIR MODERATE POST-ELECTION

SLUMP IN OPINION POLLS CONTINUES. IF SO, PARTY EXECUTIVE MAY WELL DECIDE TO RISK AN ELECTION. FOR TIME BEING, HOWEVER, PALME'S DECLARED POLICY OF SEEKING "BROAD AGREEMENT" ON LEGISLATIVE ISSUES THIS SPRING REMAINS IN EFFECT.

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